

State of Utah

Department of Natural Resources

MICHAEL R. STYLER Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA Division Director

Lieutenant Governor Representatives Present During the Inspection: Gregg Galecki Environmental Coordinator

Karl Houskeeper Environmental Scientist III

Inspection Report

| Permit Number: | C0070005 | | | |
|------------------|-----------------------|--|--|--|
| Inspection Type: | PARTIAL | | | |
| Inspection Date: | Friday, July 27, 2007 | | | |
| Start Date/Time: | 7/27/2007 8:00:00 AM | | | |
| End Date/Time: | 7/27/2007 2:30:00 PM | | | |
| Last Inspection: | Friday, June 29, 2007 | | | |

Inspector: Karl Houskeeper, Environmental Scientist III

Weather: Partly Cloudy, Temp. 63 Deg. F.

InspectionID Report Number: 1361

Types of Operations

Accepted by: dhaddock

Permitee: CANYON FUEL COMPANY LLC Operator: CANYON FUEL COMPANY LLC

Site: SKYLINE MINE

Address: HC 35 BOX 380, HELPER UT 84526

County: CARBON

JON M. HUNTSMAN, JR. Governor GARY R. HERBERT

Permit Type: PERMANENT COAL PROGRAM

Permit Status: ACTIVE

Current Acreages

| 10,374.00 | Total Permitted | | |
|-----------|------------------------|--|--|
| 79.12 | Total Disturbed | | |
| | Phase I | | |
| | Phase II | | |
| | Phase III | | |

Mineral Ownership

✓ Federal ✓ Underground State ☐ Surface County Loadout Processing Other Reprocessing

Report summary and status for pending enforcement actions, permit conditions, Division Orders, and amendments:

The following permit conditions have been met or are being met:

- 1) Water Monitoring data is being submitted in an electronic format to the Division.
- 2) Canyon Fuel Co. must submit all existing studies and data for the update of the PHC as a result of the mine inflows.
- 3) Canyon Fuel Co. must submit cumulative monthly flow data for discharges into Electric Lake and Eccles Creek.

Kade Minchey and David Gibson from the Office of the Legislative Auditor General were in attendance during the inspection.

| Inspector's | Signature: |
|-------------|------------|
|-------------|------------|

Date

Friday, July 27, 2007

Karl Houskeeper, Environmental Scientist III

Inspector ID Number: 49

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas and Mining.

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Inspection Continuation Sheet

Permit Number: C0070005 Inspection Type: PARTIAL

Inspection Date: Friday, July 27, 2007

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REVIEW OF PERMIT, PERFORMANCE STANDARDS PERMIT CONDITION REQUIREMENTS

- 1. Substantiate the elements on this inspection by checking the appropriate performance standard.
 - a. For COMPLETE inspections provide narrative justification for any elements not fully inspected unless element is not appropriate to the site, in which case check Not Applicable.
 - b. For PARTIAL inspections check only the elements evaluated.
- 2. Document any noncompliance situation by reference the NOV issued at the appropriate performance standard listed below.
- 3. Reference any narratives written in conjunction with this inspection at the appropriate performace standard listed below.
- 4. Provide a brief status report for all pending enforcement actions, permit conditions, Divison Orders, and amendments.

| | | Evaluated | Not Applicable | Comment | Enforcement |
|------|---|-----------|----------------|--------------|-------------|
| 1. | Permits, Change, Transfer, Renewal, Sale | ✓ | | \checkmark | |
| 2. | Signs and Markers | ✓ | | ~ | |
| 3. | Topsoil | ✓ | | | |
| 4.a | Hydrologic Balance: Diversions | ✓ | | V | |
| 4.b | Hydrologic Balance: Sediment Ponds and Impoundments | ✓ | | V | |
| 4.c | Hydrologic Balance: Other Sediment Control Measures | | | | |
| 4.d | Hydrologic Balance: Water Monitoring | ✓ | | ✓ | |
| 4.e | Hydrologic Balance: Effluent Limitations | | | | |
| 5. | Explosives | ✓ | | | |
| 6. | Disposal of Excess Spoil, Fills, Benches | | | | |
| 7. | Coal Mine Waste, Refuse Piles, Impoundments | V | | ✓ | |
| 8. | Noncoal Waste | V | | V | |
| 9. | Protection of Fish, Wildlife and Related Environmental Issues | | | | |
| 10. | Slides and Other Damage | | | | |
| 11. | Contemporaneous Reclamation | | | | |
| 12. | Backfilling And Grading | | | | |
| 13. | Revegetation | | | | |
| 14. | Subsidence Control | | | | |
| 15. | Cessation of Operations | | | | |
| 16.a | Roads: Construction, Maintenance, Surfacing | | | | |
| 16.b | Roads: Drainage Controls | | | | |
| 17. | Other Transportation Facilities | | | | |
| 18. | Support Facilities, Utility Installations | | | | |
| 19. | AVS Check | | | | |
| 20. | Air Quality Permit | | | | |
| 21. | Bonding and Insurance | | | | |
| 22. | Other | 7 | | | |

Inspection Continuation Sheet

Permit Number: C0070005 Inspection Type: PARTIAL

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1. Permits, Change, Transfer, Renewal, Sale

The following permit conditions have been met or are being met:

1) Water Monitoring data is being submitted in an electronic format to the Division.

- 2) Canyon Fuel Co. must submit all existing studies and data for the update of the PHC as a result of the mine inflows.
- 3) Canyon Fuel Co. must submit cumulative monthly flow data for discharges into Electric Lake and Eccles Creek.

2. Signs and Markers

The Mine ID signs are at the point of public access to the permit area and contain the required information. All other signs and markers are in accordance with the coal rules.

4.a Hydrologic Balance: Diversions

The culvert inlet from the upper pad area at the loadout (High Ash Coal Storage Area) is damaged and needs to be repaired.

The culvert outlet from the upper pad to the lower pad area at the load out is about 40 - 50 % full of sediment and needs to be cleaned.

4.b Hydrologic Balance: Sediment Ponds and Impoundments

Partial cleaning of the refuse sediment pond has taken place. The facility and load out ponds are having their water level decreased in preparation to be cleaned.

4.d Hydrologic Balance: Water Monitoring

Second quarter 2007 water monitoring is in the EDI website, but has not been uploaded. Water monitoring is current.

7. Coal Mine Waste, Refuse Piles, Impoundments

The refuse pile appeared stable with no visible hazards. No smokers were present on the pile during the inspection.

8. Noncoal Waste

Noncoal waste items were present just outside of the approved storage facility and at the load out substation. The items need to be gathered and placed in the approved facilities.

22. Other

Thistle around the loadout facilities was identified and needs to be removed.